

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-77042; File No. SR-OCC-2015-018)

February 3, 2016

Self-Regulatory Organizations; The Options Clearing Corporation; Order Approving the Adoption of a Charter of a New Committee of The Options Clearing Corporation's Board of Directors, the Technology Committee

On December 8, 2015, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") the proposed rule change SR-OCC-2015-018 pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder.² On December 24, 2015, the proposed rule change was published for comment in the Federal Register.³ The Commission did not receive any comments on the proposed rule change. This order approves the proposed rule change.

I. Description

OCC is adopting a Charter for a new committee of OCC's Board of Directors ("Board"), the Technology Committee ("TC"). Additionally, OCC is adding a description of the TC into Article III, Section 9 of OCC's By-Laws. The Board formed the TC in order to enhance the Board's understanding and oversight of key technology, information security, and cyber-security risk issues at OCC. Consistent with OCC's other Board-level committee charters, the TC Charter sets forth: (i) the purpose,

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 76686 (December 18, 2015), 80 FR 80422 (December 24, 2015) (SR-OCC-2015-018).

functions, and responsibilities of the TC; and (ii) the composition and organization of the TC.

As set forth in the TC Charter, the TC will be responsible for: (i) overseeing major information technology (“IT”) related strategies, projects, and technology architecture decisions; (ii) monitoring whether OCC’s IT programs effectively support OCC’s business objectives and strategies; (iii) monitoring OCC’s IT risk management efforts as well as the security of OCC’s information systems and physical security of information system assets; and (iv) conferring with OCC’s senior IT management team and informing the Board on IT-related matters.

Further, and with respect to the TC Charter’s role in the oversight of OCC’s IT strategy and projects, the TC Charter provides that the TC will be specifically tasked with: (i) evaluating OCC’s IT strategy, including the financial, tactical, and strategic benefits of IT projects and technology architecture initiatives; (ii) critically reviewing IT projects and technology architecture decisions, including review of the process related to approval of capital expenditures as they relate to IT projects; and (iii) making recommendations to the Board with respect to IT-related projects and investments that require Board approval. In addition, the TC Charter will require that the TC: (i) monitor the quality and effectiveness of OCC’s IT and physical security, including periodically reviewing and appraising OCC’s disaster recovery capabilities and crisis management plans; (ii) in coordination and cooperation with the Audit Committee of the Board, monitor the quality and effectiveness of OCC’s IT systems and processes that relate to or affect OCC’s internal controls and assess OCC’s management of IT-related compliance risks; (iii) report to the Board and the Audit Committee about IT risks and controls; and

(iv) serve in an advisory role with respect to IT decisions at OCC. In connection with carrying out its responsibilities, the TC will also, in general, inform and make recommendations to the Board and other Board-level committees with respect to IT-related matters.

The TC Charter will provide that the TC be comprised of three or more directors, and meet at least four times per year.⁴ The TC will function in a manner similar to the other Board-level committees in that it will have the ability to hire specialists and meet in executive session as well as be required to report to the Board on an annual basis. The TC will also have to annually confirm to the Board that its responsibilities, as set forth in the TC Charter, have been carried out and evaluate its and its members' performance on a regular basis.

II. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act⁵ directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that the rule change, as proposed, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to such organization.

The Commission finds that the proposed rule change is consistent with Section 17A(b)(3)(F) of the Act. This section requires, among other things, that the rules of a clearing agency promote the prompt and accurate clearance and settlement of securities transactions.⁶ The rule change should enhance the effectiveness of the Board's oversight

⁴ Members of the TC will not need to be technology experts.

⁵ 15 U.S.C. 78s(b)(2)(C).

⁶ 15 U.S.C. 78q-1(b)(3)(F).

on OCC's business and operational processes. Specifically, it should enhance technology-related processes (such as disaster recovery and crisis management plans), as well as IT systems that relate to internal controls and compliance risks, through a dedicated Board-level committee's oversight of such processes. Accordingly, the proposed rule change will increase the likelihood that OCC's technology processes work as expected, including those processes tied to the clearance and settlement of securities transactions.

Additionally, the Commission finds that the proposed rule change is consistent with Rule 17Ad-22(d)(8). This rule requires a clearing agency's the written policies and procedures to: (i) have governance arrangements that are clear and transparent to fulfill the public interest requirements in Section 17A of the Act; (ii) support the objectives of OCC's owners and participants; and (iii) promote the effectiveness of OCC's risk management procedures.⁷ First, the TC Charter delineates a clear and transparent governance arrangement designed to increase the likelihood that OCC's technology processes work as expected (including those processes tied to the clearance and settlement of securities transactions). By increasing the likelihood that OCC's technology processes work as expected, the TC Charter also supports the objective of OCC's owners and participants to promote the prompt and accurate clearance and settlement of securities transactions. Finally, the TC Charter promotes the effectiveness of OCC's risk management procedures by establishing a Board-level committee focused on reducing IT-related risk at OCC.

⁷ 17 CFR 240.17Ad-22(d)(8).

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposal is consistent with the requirements of the Act, and in particular, with the requirements of Section 17A of the Act⁸ and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule change (SR-OCC-2015-018) be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁰

Robert W. Errett
Deputy Secretary

⁸ In approving this proposed rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

⁹ 15 U.S.C. 78s(b)(2).

¹⁰ 17 CFR 200.30-3(a)(12).